

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Green	County Mecosta
Audit Date 3/31/06	Opinion Date 6/8/06	Date Accountant Report Submitted to State: 7/27/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR)			✓

Certified Public Accountant (Firm Name) Brickley DeLong PLC			
Street Address 500 Terrace Plaza	City Muskegon	State MI	ZIP 49444
Accountant Signature <i>Timothy D. Carter, C.P.A. for Brickley DeLong, PLC</i>		Date 7/27/06	

Charter Township of Green
Mecosta County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2006

Charter Township of Green
LIST OF ELECTED OFFICIALS
March 31, 2006

Supervisor..... John Wellnitz

Clerk..... Janet Clark

Treasurer..... Carolyn Chipman

Trustees Barbara Waldron
James Peek
Gary Todd
Donald Grant

Charter Township of Green

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As management of the Charter Township of Green, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Charter Township of Green for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The Township's General Fund fund balance decreased by approximately by \$8,500. This decrease is mainly due to expenditures related to road work in the Township.

A local developer donated a capital addition to the Township's sewer system. The value of the addition is \$250,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Charter Township of Green's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Charter Township of Green's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Charter Township of Green's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Township of Green is improving or deteriorating.

The Statement of Activities presents information showing how the Charter Township of Green's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Green, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter Township of Green can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

The Charter Township of Green maintains one governmental fund, the General Fund.

Proprietary Funds

The Charter Township of Green has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provided separate information for the Sewer Fund which is a major fund.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Charter Township of Green. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Charter Township of Green's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter Township of Green budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Charter Township of Green. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2006, the Charter Township of Green's net assets from governmental activities totaled \$978,269 (43%) and \$1,272,060 (57%) business-type activities, creating a total government-wide net assets total of \$2,250,329.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land, and equipment, etc.) These assets are used to provide services to the Charter Township of Green's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$762,719. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$1,272,060 in net assets of which \$405,525 (32%) is unrestricted net assets.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets and other assets	\$ 762,719	\$ 771,187	\$ 416,623	\$ 410,693	\$ 1,179,342	\$ 1,181,880
Capital assets	215,550	219,013	866,535	634,776	1,082,085	853,789
Total assets	978,269	990,200	1,283,158	1,045,469	2,261,427	2,035,669
Current liabilities	-	-	11,098	30,159	11,098	30,159
Net assets						
Invested in capital assets	215,550	219,013	866,535	634,776	1,082,085	853,789
Restricted	-	-	-	18,829	-	18,829
Unrestricted	762,719	771,187	405,525	361,705	1,168,244	1,132,892
Total net assets	\$ 978,269	\$ 990,200	\$ 1,272,060	\$ 1,015,310	\$ 2,250,329	\$ 2,005,510

The capital assets for business-type activities increased substantially from fiscal year 2005 to fiscal year 2006. This is due to the sewer system donated to the Township. This is also reflected as a contribution on the following table.

Charter Township of Green

Management's Discussion and Analysis

Governmental Activities

For the 2006 fiscal year, governmental activities decreased by \$11,931 or 1%. The net assets for business-type activities increased by \$256,750 or 2%, during 2006.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 10,747	\$ 7,549	\$ 83,730	\$ 75,812	\$ 94,477	\$ 83,361
Capital grants and contributions	4,800	-	250,000	-	254,800	-
General revenues						
Property taxes	96,935	91,034	-	-	96,935	91,034
Grants and contributions not restricted	226,270	229,804	-	-	226,270	229,804
Unrestricted investment earnings	22,784	8,482	11,937	7,331	34,721	15,813
Miscellaneous	16,634	7,858	2,294	4,665	18,928	12,523
Total revenues	378,170	344,727	347,961	87,808	726,131	432,535
Expenses:						
General government	182,139	171,799	-	-	182,139	171,799
Public safety	64,644	60,100	-	-	64,644	60,100
Public works	123,385	29,716	-	-	123,385	29,716
Community and economic development	275	738	-	-	275	738
Culture and recreation	19,658	6,130	-	-	19,658	6,130
Sewer Fund	-	-	91,211	105,253	91,211	105,253
Total expenses	390,101	268,483	91,211	105,253	481,312	373,736
Change in net assets	(11,931)	76,244	256,750	(17,445)	244,819	58,799
Net assets - Beginning	990,200	913,956	1,015,310	1,032,755	2,005,510	1,946,711
Net assets - Ending	\$ 978,269	\$ 990,200	\$ 1,272,060	\$ 1,015,310	\$ 2,250,329	\$ 2,005,510

In fiscal year 2006, public works was greater than 2005 due to more road projects being undertaken by the Township. Culture and recreation has also increased due to work on the Township's recreation master plan.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Charter Township of Green uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Charter Township of Green governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances, or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the Charter Township of Green governmental funds reported an unreserved fund balance of \$762,719 of which 100% is unrestricted and unreserved.

The Charter Township of Green's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Unrestricted net assets of the Sewer Fund increased by \$43,820.

General Fund Budget

During the current fiscal year, the Charter Township of Green made a few amendments to its original budget. The most significant of those are listed below:

- Increased the public works budget \$45,900 for road work on 200th Avenue, from Oak to 21 Mile Road. This is the first phase of the project, with the final phase scheduled to be completed during the 2007 fiscal year.
- Increased the assessing budget \$1,432. This budget was increased due to an increase in parcels within the Township.

During the fiscal year, the Township's noteworthy variations from the final budget to actual revenues and expenditures are listed below:

- Investment earnings were much better than budgeted due to an increase in market yield that the Township obtained on fixed income investments.
- Professional fees were less than budgeted due to the Township not receiving additional services from the other local municipalities.
- Capital outlay was less than budgeted due to the Township not undertaking any large capital projects during the year.

Capital Assets

The Charter Township of Green investment in capital assets for its governmental and business-type activities as of March 31, 2006 totaled \$1,082,085 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Township received a voting machine from the State of Michigan with a value of approximately \$4,800.
- The Township assumed sewer infrastructure due to a planned unit development. The planned unit development has 86 parcels that will be hooked to the Township's sewer system as the units are sold. The value of the assumed sewer infrastructure is \$250,000.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 106,765	\$ 106,765	\$ -	\$ -	\$ 106,765	\$ 106,765
Buildings and improvements	108,785	97,685	-	-	108,785	97,685
Plants and infrastructure	-	-	865,040	634,771	865,040	634,771
Furniture and equipment	-	14,563	1,495	-	1,495	14,563
Total	<u>\$ 215,550</u>	<u>\$ 219,013</u>	<u>\$ 866,535</u>	<u>\$ 634,771</u>	<u>\$ 1,082,085</u>	<u>\$ 853,784</u>

Additional information on the Charter Township of Green's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Charter Township of Green has set fiscal accountability and financial stability as its number one priority.

The Charter Township of Green's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 84% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to continue to decline. Property tax revenues will likely remain flat or have a slight increase.

The Township Board is somewhat cautious on expenditures of the Township due to the economic uncertainties of Mecosta County and Michigan with regards to state revenue sharing. The employment situation for this area is a concern for caution, so the Township will continue being conservative with spending.

However, the Charter Township of Green is optimistic for future in economic growth, development including several new subdivisions and proposed refurbishing and development of the Stone Hatchery Community Park. The Township is currently working on its recreation master plan, which will assist in meeting future recreational and leisure-time needs as the Township grows. The Township has also committed to purchasing a generator, which will provide emergency power to the Township building in case of an emergency. This location can be used as a shelter. The Township has committed to the final phase of the 200th Avenue road project that began in fiscal year 2006.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Green's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Green, 21431 Northland Drive, Paris, Michigan 49338, (231) 796-6201.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 8, 2006

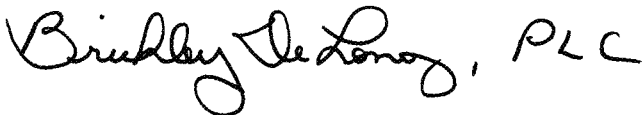
To the Township Board
Charter Township of Green
Paris, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Charter Township of Green as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Green's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Charter Township of Green, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 21 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Charter Township of Green
STATEMENT OF NET ASSETS
March 31, 2006

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 717,901	\$ 413,629	\$ 1,131,530
Receivables			
Accounts	-	2,907	2,907
Property taxes	8,248	-	8,248
Due from other governmental units	<u>36,570</u>	<u>87</u>	<u>36,657</u>
Total current assets	762,719	416,623	1,179,342
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	106,765	-	106,765
Depreciable	<u>108,785</u>	<u>866,535</u>	<u>975,320</u>
Total noncurrent assets	<u>215,550</u>	<u>866,535</u>	<u>1,082,085</u>
Total assets	978,269	1,283,158	2,261,427

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Due to other governmental units	<u>-</u>	<u>11,098</u>	<u>11,098</u>
Total liabilities	-	11,098	11,098
NET ASSETS			
Invested in capital assets	215,550	866,535	1,082,085
Unrestricted	<u>762,719</u>	<u>405,525</u>	<u>1,168,244</u>
Total net assets	<u>\$ 978,269</u>	<u>\$ 1,272,060</u>	<u>\$ 2,250,329</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF ACTIVITIES
For the year ended March 31, 2006

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Capital grants contributions	Governmental activities	Business-type activities	Total
Governmental activities						
General government	\$ 182,139	\$ 10,747	\$ 4,800	\$ (166,592)	\$ -	\$ (166,592)
Public safety	64,644	-	-	(64,644)	-	(64,644)
Public works	123,385	-	-	(123,385)	-	(123,385)
Community and economic development	275	-	-	(275)	-	(275)
Culture and recreation	<u>19,658</u>	<u>-</u>	<u>-</u>	<u>(19,658)</u>	<u>-</u>	<u>(19,658)</u>
Total governmental activities	390,101	10,747	4,800	(374,554)	-	(374,554)
Business-type activities						
Sewer operations	<u>91,211</u>	<u>83,730</u>	<u>250,000</u>	<u>-</u>	<u>242,519</u>	<u>242,519</u>
Total government	<u>\$ 481,312</u>	<u>\$ 94,477</u>	<u>\$ 254,800</u>	<u>(374,554)</u>	<u>242,519</u>	<u>(132,035)</u>
General revenues						
Property taxes, levied for general purposes				96,935	-	96,935
Grants and contributions not restricted to specific programs				226,270	-	226,270
Unrestricted investment earnings				22,784	11,937	34,721
Miscellaneous				<u>16,634</u>	<u>2,294</u>	<u>18,928</u>
Total general revenues				<u>362,623</u>	<u>14,231</u>	<u>376,854</u>
Change in net assets				(11,931)	256,750	244,819
Net assets at April 1, 2005				<u>990,200</u>	<u>1,015,310</u>	<u>2,005,510</u>
Net assets at March 31, 2006				<u>\$ 978,269</u>	<u>\$ 1,272,060</u>	<u>\$ 2,250,329</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green
BALANCE SHEET
Governmental Fund
March 31, 2006

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 717,901
Property taxes receivable	8,248
Due from other governmental units	<u>36,570</u>
Total assets	<u>\$ 762,719</u>
 FUND BALANCE	
Unreserved	<u>\$ 762,719</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2006

Total fund balance—governmental funds	\$ 762,719
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 308,419	
Accumulated depreciation	<u>(92,869)</u>	<u>215,550</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>978,269</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Governmental Fund
 For the year ended March 31, 2006

	General Fund
REVENUES	
Property taxes	\$ 87,195
Licenses and permits	159
Intergovernmental revenues - state	226,270
Charges for services	12,850
Investment earnings	21,599
Other	25,297
Total revenues	373,370
EXPENDITURES	
Current	
General government	158,493
Public safety	64,644
Public works	123,385
Community and economic development	275
Culture and recreation	19,658
Other governmental functions	14,508
Capital outlay	875
Total expenditures	381,838
Net change in fund balance	(8,468)
Fund balance at April 1, 2005	771,187
Fund balance at March 31, 2006	\$ 762,719

The accompanying notes are an integral part of this statement.

Charter Township of Green
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2006

Net change in fund balance—total governmental funds	\$ (8,468)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (8,263)	
Capital outlay	<u>-</u>	(8,263)

Contributions of capital assets are recorded as revenues in the Statement of Activities, but not in the governmental funds.

<u>4,800</u>

Change in net assets of governmental activities	\$ <u><u>(11,931)</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF NET ASSETS
 Proprietary Fund
 March 31, 2006

ASSETS

	Sewer Fund
	<u> </u>
CURRENT ASSETS	
Cash and investments	\$ 413,629
Accounts receivable	<u>2,994</u>
Total current assets	416,623
NONCURRENT ASSETS	
Capital assets	
Plant and system	1,329,701
Equipment	1,495
Less accumulated depreciation	<u>(464,661)</u>
Total noncurrent assets	<u>866,535</u>
Total assets	1,283,158
	LIABILITIES AND NET ASSETS
CURRENT LIABILITIES	
Due to other governmental units	<u>11,098</u>
Total liabilities	<u>11,098</u>
NET ASSETS	
Invested in capital assets	866,535
Unrestricted	<u>405,525</u>
Total net assets	\$ <u><u>1,272,060</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended March 31, 2006

	Sewer Fund
REVENUES	
Charges for services	\$ 86,024
OPERATING EXPENSES	
Operations	71,475
Depreciation	19,736
Total operating expenses	91,211
Operating loss	(5,187)
NONOPERATING REVENUES	
Investment earnings	11,937
Income before contributions	6,750
Capital contributions	250,000
Change in net assets	256,750
Net assets at April 1, 2005	1,015,310
Net assets at March 31, 2006	\$ 1,272,060

The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended March 31, 2006

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 85,129
Payments to suppliers	(57,993)
Payments to employees	(13,714)
Net cash provided by operating activities	13,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,495)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	11,937
Net increase in cash and investments	23,864
Cash and investments at April 1, 2005	389,765
Cash and investments at March 31, 2006	\$ 413,629
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (5,187)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	19,736
Change in assets and liabilities	
Receivables, net	(895)
Accounts payable	(232)
Net cash provided by operating activities	\$ 13,422

Noncash capital and related financing activities

During the year a capital asset was contributed to the Township. The value of the addition was \$250,000 on the date of donation.

The accompanying notes are an integral part of this statement.

Charter Township of Green
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2006

	<u>Agency Fund - Tax Collection</u>
ASSETS	
Cash and investments	\$ <u><u> -</u></u>
LIABILITIES	
Due to other governmental units	\$ <u><u> -</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Green (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a general law township governed by an elected seven-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays the Township of Big Rapids for sewer treatment.

Additionally, the Township reports the following fund type:

The Tax Collection Fund accounts for the tax revenue collected by the Township for the benefit of other units of local government within the area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap fees intended to recover the cost of connecting new customers to the system.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. All investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31 and are due without penalty on or before February 14. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$68,814,000. The ad valorem taxes levied consisted of 1.2411 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., sewer system assets), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Equipment	5-15
Plants and systems	50

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. In January, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Tuesday in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$1,002,883 of the Township's bank balance of \$1,302,883 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 106,765	\$ -	\$ -	\$ 106,765
Capital assets, being depreciated:				
Buildings and improvements	164,893	-	-	164,893
Equipment	31,961	4,800	-	36,761
Total capital assets, being depreciated	196,854	4,800	-	201,654
Less accumulated depreciation:				
Buildings and improvements	67,208	5,293	-	72,501
Equipment	17,398	2,970	-	20,368
Total accumulated depreciation	84,606	8,263	-	92,869
Total capital assets, being depreciated, net	112,248	(3,463)	-	108,785
Capital assets, net	\$ 219,013	\$ (3,463)	\$ -	\$ 215,550

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 March 31, 2006

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Business-type activities:				
Capital assets, being depreciated:				
Plant and system	\$ 1,079,701	\$ 250,000	\$ -	\$ 1,329,701
Equipment	-	1,495	-	1,495
Total capital assets, being depreciated	1,079,701	251,495	-	1,331,196
 Less accumulated depreciation:				
Plant and system	444,925	19,736	-	464,661
Equipment	-	-	-	-
Total accumulated depreciation	444,925	19,736	-	464,661
Capital assets, net	\$ <u>634,776</u>	\$ <u>231,759</u>	\$ <u>-</u>	\$ <u>866,535</u>

Governmental activities:

Depreciation expense of \$8,263 for governmental activities was charged to the general government function.

Business-type activities:

Depreciation expense of \$19,736 for business-type activities was charged to the sewer function.

NOTE E—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Commitment

The Township has committed to installing a generator system at the Township hall facility. This will help the Township in the event of power outage, disaster or other emergency in the community. The cost of the generator will be approximately \$20,000.

Charter Township of Green
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE F—PENSION PLAN

The Township provides pension benefits for all of its Board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through John Hancock USA Group Pension Services, an independent third party. The Plan requires the Township to contribute 20 percent of covered payroll. For the year ended March 31, 2006, the contribution to the Plan by the Township was approximately \$18,000.

NOTE H—ECONOMIC DEPENDENCY

The State of Michigan shared revenues represent approximately 60 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Green
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 80,801	\$ 80,801	\$ 87,195	\$ 6,394
Licenses and permits	200	200	159	(41)
Intergovernmental revenues - state	214,000	214,000	226,270	12,270
Charges for services	10,500	10,500	12,850	2,350
Investment earnings	6,000	6,000	21,599	15,599
Other	3,223	3,223	25,297	22,074
Total revenues	314,724	314,724	373,370	58,646
EXPENDITURES				
Current				
General government				
Legislative	36,942	37,685	33,100	4,585
Supervisor	9,162	9,162	8,873	289
Elections	5,051	5,051	1,199	3,852
Assessing	26,454	27,886	27,877	9
Clerk	25,286	25,286	25,027	259
Board of Review	1,175	1,175	501	674
Treasurer	24,215	24,215	23,725	490
Townhall	20,400	20,400	14,685	5,715
Cemetery	27,242	27,242	18,919	8,323
Professional	18,650	18,253	4,587	13,666
Public Safety				
Fire contract	65,612	65,612	64,644	968
Public works				
Highways	93,100	139,000	123,385	15,615
Community and economic development				
Planning	3,503	3,503	275	3,228
Culture and recreation				
Recreation and parks	29,550	29,550	19,658	9,892
Other governmental functions	14,950	15,347	14,508	839
Capital outlay	15,000	12,825	875	11,950
Total expenditures	416,292	462,192	381,838	80,354
Net change in fund balance	\$ (101,568)	\$ (147,468)	(8,468)	\$ 139,000
Fund balance at April 1, 2005			771,187	
Fund balance at March 31, 2006			\$ 762,719	